

DISCLAIMER

This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 29, 1999

JOINT MOTION OF

UNITED TELEPHONE-SOUTHEAST, INC.

and

CASE NO. PUC970174

CENTRAL TELEPHONE COMPANY OF VIRGINIA

For approval of Amendment to the
Companies' Alternative Regulatory Plan

FINAL ORDER

On November 10, 1997, United Telephone-Southeast, Inc., and Central Telephone Company of Virginia (collectively, "Companies") filed a Joint Motion requesting that the Commission amend the Companies' Alternative Regulatory Plan ("Plan")¹ to conform the Plan to revisions in §§ 56-235.5 E and 56-237.2 of the Code of Virginia. The first revision would allow a proposed telecommunications service to be declared "Competitive" pursuant to the Plan following notice and opportunity for hearing. The second revision would change the minimum number of complaints or requests for hearing on certain of the Companies' rates that would require the Commission to convene a public hearing.

¹ Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex. Parte: In the matter of investigating telephone regulatory methods pursuant to Virginia Code § 56-235.5, etc., Case No. PUC930036, 1994 S.C.C. Ann. Rept. 262.

By Order dated March 18, 1998, the Commission directed the Companies to provide notice of their application to customers and established a period in which comments or requests for hearing on the application could be filed. One comment, from Bell Atlantic-Virginia, Inc., was received. Bell-Atlantic recommended that the Commission grant the Joint Motion.

NOW THE COMMISSION, having considered the application, the Plan, the comment received, and the applicable statutes and rules, is of the opinion that the revisions proposed in the Joint Motion are, with one exception, in the public interest and would not cause the Plan to become non-compliant with § 56-235.5 D of the Code of Virginia. The proposed revision to paragraph 4.A.2 (codified as subdivision D1b of Attachment 3 of 20 VAC 5-401-70) of the Companies' Plan is approved with the exception of the proposed removal of the words "must be given to all affected parties," which shall remain in the Plan. The revisions, prepared in Code Commission style, are attached to this Order, with deletions of current language struck through and additions of new language underscored. Accordingly,

IT IS HEREBY ORDERED THAT:

- (1) The Joint Motion is granted, and the Plan shall be amended as proposed except as set forth herein; and
- (2) There being nothing further to come before the Commission, the matter is dismissed.

State Corporation Commission
Division of Communications
20 VAC 5-401-70. Conclusion.

ATTACHMENT 3.

ALTERNATIVE REGULATORY PLAN FOR
CENTRAL TELEPHONE COMPANY OF VIRGINIA
AND UNITED TELEPHONESOUTHEAST, INC.

A. Applicability of plan.

1. Upon election of the companies, this plan will apply to Central Telephone Company of Virginia and United Telephone-Southeast, Inc. ("the Companies") and will go into effect on January 1, 1995.

We refer to the Companies collectively; however, this does not preclude either Company from seeking singular treatment under the provisions of this Plan.

2. Nothing in this plan shall be deemed to affect the ability or authority of any entity other than the Companies to offer any telecommunications service.

B. Changes to plan.

1. Any change to this plan may occur only after an appropriate proceeding is initiated and held under the provisions of § 56-235.5 D of the Code of Virginia.

2. Any such change approved by the Commission shall have prospective effect only.

C. Classification of services.

1. Telecommunications services of the Companies will be classified into three categories called Basic Local Exchange Telephone Services ("BLETS"), Discretionary services, and Competitive services, as defined below. Initially, the Companies' existing services will be distributed among these three categories in accordance with Appendix A hereto.

2. Service classifications are defined as follows:

- a. "Competitive services" are, pursuant to § 56-235.5 F of the Code of Virginia, telecommunications services for which competition or the potential for competition in the marketplace is or can be an effective regulator of the price of those services as determined by the Commission.
- b. "Discretionary services" are telecommunications services which are optional, nonessential enhancements to BLETS, which may or may not be provided by suppliers other than the Companies, but which do not conform to the definition of Competitive services.
- c. "Basic Local Exchange Telephone Services" ("BLETS") are telecommunications services which are not Competitive or Discretionary and which, due to their nature or legal/regulatory restraints, only the Companies can provide, and other services the Commission determines to be BLETS.

D. Classification of new services and reclassification of existing services.

1. Thirty days prior to offering a new service or reclassifying an existing service, the Companies shall notify, in writing, the Staff, the Attorney General, and all certificated interexchange carriers of the new or reclassified offering and shall provide a tariff and appropriate documentation to the Staff. The Commission may suspend the proposed effective date if it finds that the documentation supporting the classification is insufficient.

- a. Simultaneous with such notification, the Companies shall designate the service category into which the service is classified.
- b. If the proposed service category is Competitive, notice must be given to all affected parties, and a an opportunity for hearing must be provided ~~conducted~~ in accordance with § 56-235.5 E of the Code of Virginia.
- c. Any interested party shall be afforded an opportunity, by timely petition to the

Commission, to propose that the service be classified in a different category; however, the filing of such petition shall not result in the postponement of any new service offering unless the Commission, for good cause shown, orders otherwise.

- d. Any such proceeding to determine the proper classification of a service offering shall be completed within 90 days following the effective date of the service offering, except that if the proposed classification is Competitive, the proceeding must be completed within 120 days. The Commission, however, for good cause shown, may extend these time periods.

2. Any interested party may petition for the classification or reclassification of a Company service. Any such proceeding must be completed within 90 days unless the reclassification is either to or from the Competitive category, in which case it must be completed within 120 days, unless the Commission should extend these time periods for good cause shown. If the proposed category is Competitive, subparagraph D1b. above applies.

E. Tariff requirements. Tariffs shall continue to be filed for all BLETS and Discretionary services and for any Competitive service that is also offered within the Companies' service territory, pursuant to a Virginia intrastate tariff, by another company that is certificated by this Commission. The prices of Competitive services shall not be regulated by the Commission, except as provided for in Paragraph L. (Competitive safeguards) of this section.

F. Price changes for BLETS. Price changes for BLETS shall be governed by the following rules:

1. Price decreases. If the Companies wish to reduce the price for any BLETS service, they shall file a revised tariff with the Commission. Such tariff shall take effect in accordance with § [56-40](#) of the Code of Virginia.

2. Price increases.

- a. No price increase (other than pursuant to Paragraph H. of this section) will be allowed before January 1, 1998, for BLETS services.
- b. Beginning in the year 1998, price increases for BLETS services will be allowed pursuant to the notification provisions of § [56-237.1](#) of the Code of Virginia and a showing by the Companies that any individual price increase will not exceed in percentage terms 1/2 the increase in the Gross Domestic Product Price Index (as described in Paragraph J. of this section) for the preceding year. After this initial price increase, any subsequent increase in prices for these services will be allowed pursuant to the notification provisions of § [56-237.1](#) of the Code of Virginia and shall not exceed in percentage terms 1/2 of the increase in the Gross Domestic Product Price Index since the last time the price of the service was increased. If a protest or objection to a price increase is filed by ~~20 or more~~ the lesser of 150 or 5.0% of the customers, the Commission shall, upon reasonable notice, conduct a public hearing concerning the lawfulness of the increase, pursuant to § [56-235.5](#) of the Code of Virginia.
- c. No service shall be subject to more than one price increase in any 12-month period.

3. Rate regrouping of exchanges. Nothing in this plan shall be construed to prohibit rate regrouping of exchanges due to growth in access lines. This regrouping process will continue in order to avoid rate discrimination between similarly sized exchanges.

G. Price changes for Discretionary services. Changes to prices for Discretionary services shall be governed by the following rules:

1. Price decreases. If the Companies wish to reduce the price of any Discretionary service, they shall file a revised tariff with the Commission. Such tariff shall take effect in accordance with the requirements of § [56-40](#) of the Code of Virginia.

2. Price increases.

- a. Price increases for Discretionary services will be allowed after 30 days' notice to the Commission, 30 days' notice (by individual and solitary bill inserts or imprints) to customers, and a showing by the Companies that no individual price increase for a Discretionary service will exceed the full increase in GDPPI, as defined in Paragraph J. of this section, for the preceding year. If the Companies do not obtain a rate increase during the prior 12-month period, the increase may reflect a cumulative change in GDPPI since the last increase, but can be no more than two times the change in GDPPI for the preceding year.
- b. No service shall be subject to more than one price increase in any 12-month period.

H. Revenue-neutral price changes.

1. Nothing in this plan shall be construed to prohibit the Companies from proposing changes in the price of any BLETS or Discretionary services that do not result in a net increase in operating revenues. The notification provisions of § 56-237.1 of the Code of Virginia will be applied to such proposals, and if a protest or objection to the revenue-neutral restructuring is filed by ~~20 or more~~ the lesser of 150 or 5.0% of the customers, the Commission shall, upon reasonable notice, conduct a public hearing concerning the lawfulness of the restructuring, pursuant to § 56-235.5 of the Code of Virginia. The Commission shall approve such rate changes if it finds that they are in the public interest, or the Commission may refuse to approve the filing if it is not in the public interest or otherwise fails to comply with this plan.

2. The Commission will require the Companies to show within the first two years following the implementation of the price changes that the changes are, in fact, revenue neutral. If they are not, the Commission may require a prospective adjustment in the affected prices to ensure revenue neutrality.

I. Individual-Case-Basis pricing. Individual-Case-Basis (ICB) or custom-service-package contract pricing is allowed for BLETS and Discretionary services when the Companies demonstrate that a competitive alternative exists for an individual customer, but where the service does not

otherwise satisfy the requirements of Paragraph C2a of this section. The conditions of Paragraph L. (Competitive safeguards) of this section must be met. A copy of any ICB or custom-service-package contract must be filed under proprietary protection with the Commission's Division of Communications with supporting data demonstrating that the rate is above total incremental cost of the service.

- J. Gross Domestic Product Price Index Standard. The Gross Domestic Product Price Index used to determine limits on price increases shall be the final estimate of the Chain-Weighted Gross Domestic Product - Price Index as prepared by the U.S. Department of Commerce and published in the Survey of Current Business, or its successor.
- K. Financial reporting. To provide the Commission with financial information for it to assure that the financial viability of the Companies has not been adversely affected in such a way as to jeopardize their ability to provide high quality service, the Companies shall file annually, unless otherwise indicated below, with the Commission their stockholder annual reports (if available) and SEC Form 10-K; the stockholders' annual reports and SEC Form 10-K of Sprint, Inc.; FCC/SCC Form M and the FCC Automated Reporting Management Information System Report 43-02 to be filed only with the Division of Public Utility Accounting; a Virginia company, per books, rate-of-return statement that provides financial data on a total-Virginia, total-service basis, and on a Virginia-intrastate, total-service basis; a 13-month average capital structure statement; and a 13-month average rate base statement. The rate-of-return, capital structure, and rate base statements shall be filed quarterly for the first two years of the plan, and annually thereafter. All of the above statements shall include the aggregate of all services, except for any service that is lawfully, preemptively deregulated by the FCC.
- L. Competitive safeguards. The following safeguards relating to fairness of competition will be imposed on the Companies:
 - 1. There will be no increases in the prices for BLETS and Discretionary services other than as outlined in Paragraphs F., G., and H. of this section.

2. Services and/or capabilities of a monopoly nature that are components of Competitive services must be offered on an unbundled basis in the tariffs at the time the Commission determines a service to be Competitive. When these services and/or capabilities are used by Competitive services, revenues shall be attributed to noncompetitive operations based on the tariff rates and quantities used.

Regarding new services, unbundling of all non-competitive components must be accomplished before the Companies can offer a competitive service related to the noncompetitive component(s). If the Companies do not plan to offer a related service before the party requesting unbundling plans to offer its related service, the unbundling must be accomplished within a reasonable time after any reasonable request is made for such unbundling, and with assurances the Companies can recover their related incremental costs.

If the Companies offer a Competitive service using an unbundled noncompetitive component, they shall demonstrate that their price equals or exceeds the incremental costs of the competitive components of the service plus the tariffed rates of any noncompetitive components.

3. Revenues from Competitive services in the aggregate must cover their incremental costs. The Companies shall file data annually to demonstrate this. Also, the price of an individual service must cover its incremental costs. The Companies shall maintain total incremental cost studies for each Competitive service offered demonstrating that a service's price equals or exceeds its incremental costs. These studies shall be filed with the Division of Communications within 30 days of a complaint alleging that an individual service's revenues fail to cover its total incremental costs.

M. Service quality. Service quality results shall be filed by the Companies on a quarterly basis, or as directed by the Staff.

1. These reports shall conform to service rules adopted by the Commission by Final Order of June 10, 1993, in Case No. PUC930009. These reports may be expanded to include results not contained in the present service reports.

2. The Companies will also file reports showing results related to services provided to interexchange carriers as follows:

- a. On-time performance;
- b. Outage duration; and
- c. Blocking below the tandem.

3. The Staff will analyze service results and take immediate action to resolve any service quality problems.

N. Filing of other information.

1. Upon the request of the Staff, the Companies will file such other information with respect to any services or practices as may be required of public service companies under current Virginia law, or any amendments thereto.

2. If the Companies fail to provide, timely and accurately, data required by the plan, including answers to any Staff request for data or information necessary for the execution of this plan, they shall be subject to a Rule to Show Cause hearing for such failure. The Commission will monitor closely all aspects of each Company's performance under the plan.

O. Monitoring of Competitive services. To assist the Commission in fulfilling the requirements of § 56-235.5 G of the Code of Virginia to monitor the competitiveness of Competitive services, the Companies must file, on a proprietary basis, a quarterly schedule reporting units and revenue for Competitive services (to be filed only with the Division of Economics and Finance). Also, the Companies must file an annual price list for Competitive services, excluding Yellow Pages (to be filed only with the Divisions of Communications and Economics and Finance).

P. Access charges. Interexchange carriers' access charges are not included in the categories of services set out in this plan for pricing purposes. Pricing for such services will be considered separately in accordance with procedures adopted in Case No. PUC870012, In re: Investigation of the appropriate methodology to determine intrastate access service costs, and as implemented in Case No. PUC880042, Ex Parte, In re: Investigation of pricing methodologies for intrastate access service. For all other purposes, access services will be included in the categories as shown on Appendix A.